

PENNFIELD SCHOOLS  
FINANCIAL REPORT  
WITH SUPPLEMENTAL INFORMATION  
JUNE 30, 2008

# Pennfield Schools

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## Pennfield Schools

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Pennfield Schools, Michigan

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We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pennfield Schools, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Pennfield Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pennfield Schools as of June 30, 2008, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The administration's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Donald L. Paulsen, CPA  
Patrick J. Monahan, CPA  
Bruce S. A. Gosling, CPA  
Michael R. Wilson, CPA  
Rick L. Strawser, CPA  
Jerrold T. Norman (1941-1982)

Board of Education  
Pennfield Schools

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pennfield Schools basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2008, on our consideration of Pennfield School's internal control over financial reporting and on our tests of it's compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Norman J. Paulson, P.C.*

October 31, 2008

PENNFIELD SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS  
YEAR ENDED June 30, 2008

This section of Pennfield Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2008. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Pennfield Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund, the 2004 Capital Projects Fund, and the Debt Service Fund with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

*Management's Discussion and Analysis (MD&A)*  
*(Required Supplemental Information)*

Basic Financial Statements

*District-wide Financial Statements*

*Fund Financial Statements*

*Notes to the Basic Financial Statement*

*(Required Supplemental Information)*

*Budgetary Information for the General Fund and Major Special Revenue Funds*

*Other Supplemental Information*

**Reporting the School District as a whole - District-wide Financial Statements**

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

PENNFIELD SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)  
YEAR ENDED June 30, 2008

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

**Reporting the School District's Most Significant Funds - Fund Financial Statements**

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

PENNFIELD SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)  
YEAR ENDED June 30, 2008

**The School District as Trustee - Reporting the School District's Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2008 and 2007:

TABLE I

	June 30	
	<u>2008</u>	<u>2007</u>
Assets		
Current and other assets	\$ 4,976,289	\$ 11,305,984
Capital assets and bond fees - Net of accumulated depreciation/amortization	<u>39,014,741</u>	<u>35,637,439</u>
Total assets	43,991,030	46,943,423
Liabilities		
Current liabilities	2,689,534	3,802,373
Long-term liabilities	<u>36,386,373</u>	<u>36,330,438</u>
Total liabilities	39,075,907	40,132,811
Net Assets		
Invested in property and equipment - net of related debt	3,043,864	3,978,825
Restricted for debt service	128,428	109,933
Unrestricted	<u>1,742,831</u>	<u>2,721,854</u>
Total net assets	<u>\$ 4,915,123</u>	<u>\$ 6,810,612</u>



PENNFIELD SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)  
YEAR ENDED June 30, 2008

The above analysis focuses on the net assets (see Table I). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$4,915,123 at June 30, 2008. Capital assets, net of related debt totaling \$3,043,864 compares the original cost, less depreciation of the School District's capital assets to long-term debt. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets \$1,742,831 was unrestricted.

The \$1,742,831 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal years ended June 30, 2008 and 2007.

TABLE 2

	Year Ended June 30,	
	<u>2008</u>	<u>2007</u>
Revenue		
Program revenue:		
Charges for services	\$ 321,002	\$ 309,389
Grants and catagoricals	2,037,825	1,808,235
General revenue:		
Property taxes - general	926,622	924,713
Property taxes - debt service	1,777,457	1,711,604
State foundation allowance	12,874,413	12,911,860
Interest income and other	<u>189,171</u>	<u>742,095</u>
Total revenue	18,126,490	18,407,896
Instruction	\$ 9,788,077	\$ 9,180,611
Support services	6,144,644	5,386,012
Food services	552,439	537,749
Athletics	541,858	514,416
Interest on long-term debt	1,749,729	1,624,976
Depreciation (unallocated)	<u>1,245,232</u>	<u>719,956</u>
Total expenses	<u>20,021,979</u>	<u>17,963,720</u>
Increase (decrease) in net assets	<u>\$ (1,895,489)</u>	<u>\$ 444,176</u>

PENNFIELD SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)  
YEAR ENDED June 30, 2008

As reported in the statement of activities, the cost of all governmental activities this year was \$20,021,979. Certain activities were partially funded from those who benefited from the programs \$(321,002) or by other governments and organizations that subsidized certain programs with grants and categoricals \$(2,037,825). We paid for the remaining "public benefit" portion of our governmental activities with \$2,704,079 in taxes, \$12,874,413 in State foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced a decrease in net assets of \$(1,895,489). Key reasons for the change in net assets were capitalizable expenditures and the repayment of bond principal and other long-term obligations. The change in net assets differs from the change in fund balance and a reconciliation appears on page 15.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted sources.

**The School District's Funds**

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$3,316,242, which is a decrease of \$5,244,267 from last year. In the General Fund, our principal operating fund, the fund balance decreased \$943,380 to \$2,362,717. The General Fund fund balance has been reserved for prepaid expenditures - \$26,277; reserved for inventory - \$21,930; designated for future projects - \$1,569,048; and undesignated - \$745,462. In the Capital Projects Fund the fund balance decreased from \$5,044,545 to \$729,773. This was the result of a voter approved \$27,915,000 bond issue less bond costs and construction in progress costs incurred through June 30, 2008. The purpose of the Capital Projects Fund is to continue to spend the fund balance to complete the voter approved projects. In the Debt Service Fund the fund balance increased \$18,495 to \$128,428. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Fund fund balance is reserved since it can only be used to pay debt service obligations.

# PENNFIELD SCHOOLS

## ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED June 30, 2008

### General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

Budgeted revenues were increased \$179,923, to better reflect state per student foundation funding and adjustments to categorical funding. Actual revenues were within \$79,557 of final budgeted revenues or .5% which is immaterial.

Budgeted expenditures were increased \$655,343 to account primarily for salary increases and insurance not negotiated/budgeted for in the original budget, and building renovations not included in the original budget. Actual expenditures ended the year under the final budget by \$367,634 or 2.3%. This was primarily the result of cost savings plans implemented during the year and capital outlay projects postponed until next year.

### Capital Asset and Debt Administration

#### Capital Assets

At June 30, 2008, the School District had \$47,114,381 invested in a broad range of capital assets, including land, buildings and improvements, furniture and equipment, and buses and other vehicles. This amount represents a net increase (including additions and disposals) of \$3,952,454, or 9 percent, from last year. The majority of this increase was funded out of the Capital Projects Fund.

	<u>2008</u>	<u>2007</u>
Land	\$ 726,135	\$ 726,135
Buildings and improvements	39,739,469	13,551,696
Buses and other vehicles	1,342,682	1,386,848
Furniture and equipment	5,306,095	3,003,760
Construction in progress	<u>-</u>	<u>24,493,488</u>
 Total capital assets	 47,114,381	 43,161,927
 Less accumulated depreciation	 <u>9,073,729</u>	 <u>8,541,064</u>
 Net capital assets	 <u>\$ 38,040,652</u>	 <u>\$ 34,620,863</u>

PENNFIELD SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)  
YEAR ENDED June 30, 2008

Debt

At the end of this year, the School District had \$37,589,053 in bonds and Michigan School Bond Loan proceeds outstanding versus \$37,792,765 in the previous year - a decrease of \$203,712. This change was the result of proceeds from the Michigan School Bond Loan program of \$661,288 to make scheduled bond payments. Principal payments amounted to \$865,000.

	<u>2008</u>	<u>2007</u>
General Obligation Bonds	\$ 34,990,580	\$ 35,855,580
Michigan School Bond Loan	<u>2,598,473</u>	<u>1,937,185</u>
	<u>\$ 37,589,053</u>	<u>\$ 37,792,765</u>

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt is significantly below the statutorily imposed limit.

**Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of the following areas that could have a major impact on the 2008 fiscal year, and the near future.

The financial status of the State of Michigan may result in future Executive Order Cuts from the Governor.

Increases in the employer contribution to the Michigan Public School Employees Retirement System, as well as increased premiums for health insurance will significantly affect the District's finances.

Increases in heating fuel costs and transportation fuel costs.

**Contacting the School District's Financial Management**

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Department, 8587 Q Drive North, Battle Creek, Michigan 49017.

PENNFIELD SCHOOLS

STATEMENT OF NET ASSETS  
June 30, 2008

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 2,161,957
Accounts receivable	71,820
Due from other governmental units	2,686,382
Prepaid expenses	26,277
Inventories	<u>29,853</u>
Total current assets	4,976,289
Noncurrent Assets:	
Capital assets	47,114,381
Less: accumulated depreciation	<u>9,073,729</u>
Net capital assets	38,040,652
Capitalized bond fees	825,146
Less: accumulated amortization	<u>91,484</u>
Net capitalized bond fees	733,662
Bond discounts net of amortization	<u>240,427</u>
Total noncurrent assets	<u>39,014,741</u>
Total assets	43,991,030
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable	277,982
Accrued payroll	969,459
Accrued benefits	358,219
Accrued interest	209,016
Deferred revenue	54,387
Bonds payable, due within one year	738,251
Other obligations due within one year	<u>82,220</u>
Total current liabilities	2,689,534
Noncurrent Liabilities:	
Other obligations	423,974
School bond loan	2,598,473
Bonds payable, net of gain on refunding	33,299,804
Bond premium net of amortization	<u>64,122</u>
Total noncurrent liabilities	<u>36,386,373</u>
Total liabilities	39,075,907
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	3,043,864
Restricted for debt service	128,428
Unrestricted	<u>1,742,831</u>
Total net assets	<u>\$ 4,915,123</u>

See Notes to Financial Statements

PENNFIELD SCHOOLS

STATEMENT OF ACTIVITIES  
YEAR ENDED June 30, 2008

	<u>Program Revenues</u>			<u>Governmental</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Activities</u>
		<u>Services</u>	<u>Grants/</u>	<u>Net (Expense)</u>
			<u>Contributions</u>	<u>Revenue and</u>
				<u>Changes in Net</u>
				<u>Assets</u>
Functions/Programs				
Governmental activities:				
Instruction	\$ 9,788,077	\$ 10,512	\$ 1,704,874	\$ (8,072,691)
Support services	6,144,644	-	30,118	(6,114,526)
Food services	552,439	255,292	302,833	5,686
Athletics	541,858	55,198	-	(486,660)
Interest on long-term debt	1,749,729	-	-	(1,749,729)
Depreciation (unallocated)	<u>1,245,232</u>	<u>-</u>	<u>-</u>	<u>(1,245,232)</u>
Total Governmental activities	<u>\$ 20,021,979</u>	<u>\$ 321,002</u>	<u>\$ 2,037,825</u>	(17,663,152)
General revenues:				
Taxes				
Property taxes, levied for general operations				926,622
Property taxes, levied for debt service				1,777,457
State aid not restricted to specific purposes				12,874,413
Interest and investment earnings				178,984
Other				<u>10,187</u>
Total general revenues				<u>15,767,663</u>
Change in Net Assets				(1,895,489)
Net Assets - Beginning of year				<u>6,810,612</u>
Net Assets - End of year				<u>\$ 4,915,123</u>

See Notes to Financial Statements

PENNFIELD SCHOOLS

GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2008

	General	2004 Capital Projects	Debt Service
<u>ASSETS</u>			
Cash and cash equivalents	\$ 754,809	\$ 1,174,720	\$ 133,125
Accounts receivable	71,507	-	313
Due from other governmental units	2,686,382	-	-
Due from other funds	192,648	-	-
Prepaid expenditures	26,277	-	-
Inventories	21,930	-	-
Total assets	<u>\$ 3,753,553</u>	<u>\$ 1,174,720</u>	<u>\$ 133,438</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable	\$ 8,771	\$ 268,017	\$ 1,194
Accrued payroll	969,459	-	-
Accrued benefits	358,219	-	-
Due to other funds	-	176,930	3,816
Deferred revenue	54,387	-	-
Total liabilities	1,390,836	444,947	5,010
Fund Balances:			
Reserved:			
Prepaid expenditures	26,277	-	-
Inventories	21,930	-	-
Debt service	-	-	128,428
Capital projects	-	729,773	-
Unreserved:			
Designated for future projects	1,569,048	-	-
Undesignated	745,462	-	-
Total fund balances	<u>2,362,717</u>	<u>729,773</u>	<u>128,428</u>
Total liabilities and fund balances	<u>\$ 3,753,553</u>	<u>\$ 1,174,720</u>	<u>\$ 133,438</u>

See Notes to Financial Statements

Other Non-Major Governmental Funds	Total
\$ 99,303	\$ 2,161,957
-	71,820
-	2,686,382
-	192,648
-	26,277
<u>7,923</u>	<u>29,853</u>
<u>\$ 107,226</u>	<u>\$ 5,168,937</u>

\$ -	\$ 277,982
-	969,459
-	358,219
11,902	192,648
<u>-</u>	<u>54,387</u>
11,902	1,852,695

-	26,277
7,923	29,853
-	128,428
-	729,773
-	1,569,048
<u>87,401</u>	<u>832,863</u>
<u>95,324</u>	<u>3,316,242</u>
<u>\$ 107,226</u>	<u>\$ 5,168,937</u>



PENNFIELD SCHOOLS

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2008

Total Fund Balances - Governmental Funds	\$ 3,316,242
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Amounts reported for governmental activities in the  
statement of net assets are different because:

Capital assets used in governmental activities are not  
financial resources and are not reported in the funds.

The cost of the capital assets is	47,114,381
Accumulated depreciation is	<u>(9,073,729)</u>
Total	38,040,652

Bond issuance costs are not included as an asset in governmental activities	825,146
Accumulated amortization	<u>(91,484)</u>
Total	733,662

Bond premiums net of amortization	(64,122)
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Long-term liabilities are not due and payable in the  
current period and are not reported in the funds:

Other obligations	(506,194)
Bonds payable	(34,990,580)
School bond loan payable	(2,598,473)
Unamortized gain on debt refunding	952,525

Bond discounts net of amortization	240,427
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Accrued interest payable on long-term liabilities is not included as a liability in governmental activities	<u>(209,016)</u>
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Net assets of governmental activities	<u><u>\$ 4,915,123</u></u>
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See Notes to Financial Statements

PENNFIELD SCHOOLS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
YEAR ENDED June 30, 2008

	<u>General</u>	<u>2004 Capital Projects</u>	<u>Debt Service</u>
Revenues:			
Local sources	\$ 1,005,557	\$ 175,881	\$1,788,989
State sources	13,629,107	-	-
Federal sources	294,326	-	-
Interdistrict	<u>675,904</u>	<u>-</u>	<u>-</u>
Total revenues	15,604,894	175,881	1,788,989
Expenditures:			
Instruction	9,686,301	-	-
Supporting services	6,360,135	-	-
Food service	-	-	-
Athletics	-	-	-
Capital outlay	-	4,490,653	-
Debt Service			
Principal repayment	10,000	-	865,000
Interest and fiscal charges	-	-	1,566,782
Interdistrict	<u>5,178</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>16,061,614</u>	<u>4,490,653</u>	<u>2,431,782</u>
Excess (deficiency) of revenues over expenditures	(456,720)	(4,314,772)	(642,793)
Other financing sources (uses):			
Proceeds from school bond loan fund	-	-	661,288
Payment to bond escrow agent	-	-	-
Operating transfers in	-	-	-
Operating transfers out	<u>(486,660)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(486,660)</u>	<u>-</u>	<u>661,288</u>
Net change in fund balances	(943,380)	(4,314,772)	18,495
Fund balances, July 1	<u>3,306,097</u>	<u>5,044,545</u>	<u>109,933</u>
Fund balances, June 30	<u>\$ 2,362,717</u>	<u>\$ 729,773</u>	<u>\$ 128,428</u>

See Notes to Financial Statements

Other Nonmajor Governmental Funds	Total
\$ 314,089	\$ 3,284,516
29,274	13,658,381
273,559	567,885
<u>-</u>	<u>675,904</u>
616,922	18,186,686
-	9,686,301
-	6,360,135
566,334	566,334
541,858	541,858
-	4,490,653
-	875,000
-	1,566,782
<u>-</u>	<u>5,178</u>
<u>1,108,192</u>	<u>24,092,241</u>
(491,270)	(5,905,555)
-	661,288
-	-
486,660	486,660
<u>-</u>	<u>(486,660)</u>
<u>486,660</u>	<u>661,288</u>
(4,610)	(5,244,267)
<u>99,934</u>	<u>8,560,509</u>
<u>\$ 95,324</u>	<u>\$ 3,316,242</u>

## GOVERNMENTAL FUNDS

Net change in Fund Balances - Total Governmental Funds	\$ (5,244,267)
--	----------------

Depreciation expense	(1,245,232)
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Capital outlays	<u>4,725,217</u>
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Total	3,479,985
-------	-----------

Amortization of bond costs is recorded as an expenditure in the statement of activities, it is reported in the governmental funds in the year the bonds are issued	(32,095)
--	----------

Proceeds from bond and note issuance is an other financing source in the governmental funds, but not in the statement of activities (where it increases long-term debt)	(661,288)
---	-----------

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	70,743
--	--------

Increases in compensated absences are reported as expenditures when financial resources are used in the governmental funds	(101,776)
--	-----------

Repayment of bond principal and note principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	875,000
--	---------

Amortization of bond discounts is recorded as an expenditure in the statement of activities, it is reported in the governmental funds in the year the bonds are issued	(10,392)
--	----------

Amortization of bond premiums is recorded as a revenue in the statement of activities, it is reported in the governmental funds in the year the bonds are issued	3,772
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PENNFIELD SCHOOLS

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED June 30, 2008

Amortization of the gain in a bond refunding, is reported as an increase in interest expense in the statement of activities, it is reported as a reduction in bond debt in the statement of net assets	(214,975)
Loss on the disposal of assets is reported for governmental activities in the statement of activities, but not in governmental funds (where proceeds are reported as income)	(58,696)
Proceeds from the sale of capital assets is a local revenue in the government funds, but not in the statement of activities (where proceeds are netted against carrying value to calculate gain)	<u>(1,500)</u>
Change in Net Assets of Governmental Activities	<u>\$ (1,895,489)</u>

See Notes to Financial Statements

PENNFIELD SCHOOLS  
FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2008

	<u>Student Activities Agency Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 199,963</u>
<u>LIABILITIES</u>	
Due to student groups	<u>\$ 199,963</u>

See Notes to Financial Statements

PENNFIELD SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Pennfield Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

**Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the school district. Based on the application of the criteria, the district does not contain any component units.

**District-Wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the district's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

PENNFIELD SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**District-Wide Statements** - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customer or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

**Fund-based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The school district reports the following major governmental funds:

The General Fund is the school district's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.



PENNFIELD SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The 2004 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of funds specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The fund is retained until the purpose for which the fund was created has been accomplished.

The Debt Service Fund is used to record tax, interest, other revenue for payment, principle and other expenditures on the bond issues.

Additionally, the government reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Funds maintained by the School District are the Athletic Fund and Food Services Fund.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

**Assets, Liabilities, and Net Assets or Equity**

**Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

PENNFIELD SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized. The school district does not have infrastructure type assets.

PENNFIELD SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

**Compensated Absences** - The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**Long-Term Obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

PENNFIELD SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The School district did not have significant expenditure budget variances.

**Capital Projects Fund Compliance** - The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of 1351a of the State of Michigan's School Code.

PENNFIELD SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**NOTE 3 - CASH AND CASH EQUIVALENTS**

The School District's cash and cash equivalents at June 30, 2008, are composed of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Deposits	\$ 2,161,957	\$ 199,963	\$ 2,361,920

Deposits consist of checking, savings, and bank municipal investment funds. The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit) at \$2,917,819. Of that amount, \$269,600 was covered by federal depository insurance coverage or secured and \$2,322 was uninsured and uncollateralized. The balance of \$2,645,897 was invested in bank municipal investment funds which are not categorized by risk.

The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. The School District evaluates each financial institution it deposits School District funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**NOTE 4 - DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue include unearned grant and categorical aid payments received prior to meeting all eligibility requirements in the amount of \$54,387.

PENNFIELD SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Assets not being depreciated - Land	\$ 726,135	\$ -	\$ -	\$ 726,135
Capital assets being depreciated:				
Buildings and building improvements	13,551,696	26,637,942	450,169	39,739,469
Buses and other vehicles	1,386,848	-	44,166	1,342,682
Furniture and equipment	3,003,760	2,580,763	278,428	5,306,095
Construction in progress	<u>24,493,488</u>	<u>4,490,653</u>	<u>28,984,141</u>	<u>-</u>
Subtotal	42,435,792	33,709,358	29,756,904	46,388,246
Accumulated depreciation:				
Buildings and building improvements	5,346,838	725,434	389,973	5,682,299
Buses and other vehicles	1,128,339	40,528	44,166	1,124,701
Furniture and equipment	<u>2,065,887</u>	<u>479,270</u>	<u>278,428</u>	<u>2,266,729</u>
Subtotal	<u>8,541,064</u>	<u>1,245,232</u>	<u>712,567</u>	<u>9,073,729</u>
Net capital assets being depreciated	<u>33,894,728</u>			<u>37,314,517</u>
Net capital assets	<u>\$ 34,620,863</u>			<u>\$ 38,040,652</u>

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

The School District has active construction projects at year end. These construction projects are being completed from funds received by the \$27,915,000 2004 Building and Site Bond Issue and additional funds from the General Fund. The District's cumulative expenditures at June 30, 2008 from the bond issue amounted to \$29,282,129.

PENNFIELD SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due To/From Other Funds:		
General Fund	2004 Capital Projects Fund	\$ 176,930
	Debt Service Fund	3,816
	Other governmental funds	<u>11,902</u>
		<u>\$ 192,648</u>
Interfund Transfers:		
	Transfer Out:	
	General Fund	
Transfer in:		
Other governmental funds	<u>\$ 486,660</u>	

**NOTE 7 - LONG-TERM DEBT**

The school district issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the school district. Other long-term obligations include compensated absences.

Long-term obligation activity can be summarized as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds	\$35,855,580	\$ -	\$ 865,000	\$34,990,580	<u>\$ 953,226</u>
Notes	10,000	-	10,000	-	<u>\$ -</u>
Deposits with escrow agents	(1,167,500)	-	(214,975)	(952,525)	<u>\$ (214,975)</u>
School bond loan	1,937,185	661,288	-	2,598,473	<u>\$ -</u>
Other Obligations	<u>404,418</u>	<u>198,390</u>	<u>96,614</u>	<u>506,194</u>	<u>\$ 82,220</u>
Totals	<u>\$37,039,683</u>	<u>\$ 859,678</u>	<u>\$ 756,639</u>	<u>\$ 37,142,722</u>	

PENNFIELD SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 7 - LONG-TERM DEBT - (Continued)**

The annual requirement to service the bonds and notes outstanding to maturity, including both principal and interest, are as follows:

Year ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 953,226	\$ 1,425,725	\$ 2,378,951
2010	1,018,963	1,392,208	2,411,171
2011	1,029,028	1,346,223	2,375,251
2012	1,079,457	1,307,868	2,387,325
2013	1,120,000	1,289,146	2,409,146
2014-2018	5,939,906	5,780,678	11,720,584
2019-2023	7,730,000	4,333,417	12,063,417
2024-2028	7,600,000	2,638,236	10,238,236
2029-2033	7,110,000	1,175,698	8,285,698
2034-2038	<u>1,410,000</u>	<u>59,220</u>	<u>1,469,220</u>
	<u>\$34,990,580</u>	<u>\$20,748,412</u>	<u>\$55,738,999</u>

Governmental Activities:

General obligation bonds consist of:

\$9,105,000 2000 School Building and Site bonds due in annual installments of \$270,000 to \$400,000 through May 1, 2010; interest from 5.00% to 5.125%	\$ 800,000
\$147,808 1998 School Improvement Bond (Durant Settlement) the annual principal and interest payments are to be paid directly by the State of Michigan	60,580
\$27,915,000 2004 School Building and Site Fund Bonds due in annual installments of \$280,000 to \$900,000 through May 2020; interest from 3.0% to 4.5%	7,905,000
\$6,340,000 2005 Refunding Bonds due in annual installments of \$35,000 to \$410,000 through May 2025; interest from 3.0% to 4.45%	6,230,000
\$10,000,000 2006 Refunding Bonds due in annual installments of \$35,000 to \$1,410,000 through May 2034; interest from 4.0% to 4.2%	10,000,000



PENNFIELD SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**NOTE 7 - LONG-TERM DEBT - (Continued)**

\$9,995,000 Refunding Bonds due in annual installments of \$30,000 to \$1,345,000 through May 2028; interest from 4.0% to 4.125%	<u>9,995,000</u>
Total bonds payable	<u>\$ 34,990,580</u>

Other governmental activity long-term obligations include:

Employee compensated absences	<u>\$ 506,194</u>
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**School Bond Loan** - The school bond loan payable represent notes payable to the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Borrowings by the School District from the School Bond Loan Fund totaled \$2,598,473 at the year ended June 30, 2008. Interest expense totaling \$87,463 at interest rates of 4.25% and 4.38456%, has been assessed for the year ended June 30, 2008. Repayment is required when the millage rate necessary to cover the annual bonded debt service falls below 13 mills or such lower millage as prescribed by law. The School District is required to levy the aforementioned mills and repay to the State any excess of the amount levied over the bonded debt service requirements. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the School District, no provision for repayment has been included in the above amortization schedule.

**NOTE 8 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for property loss, torts, errors and omissions, and medical claims for certain employee groups. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

PENNFIELD SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS**

**Plan Description** - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

**Funding Policy** - Employer contributions to the system result from the implementing effect of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 17.74 percent for the period July 1, 2007 through September 30, 2007 and 16.72 percent for the period October 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The District's contributions to the MPERS plan for the years ended June 30, 2008, 2007, and 2006 were \$1,645,464, \$1,557,001, and \$1,434,851.

**Post Employment Benefits** - Under the MPERS Act, all retirees participating in the MPERS Pension Plan have the option of continuing health, dental, and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPERS plan discussed above.

**REQUIRED SUPPLEMENTAL INFORMATION**

PENNFIELD SCHOOLS

REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
YEAR ENDED June 30, 2008

	Original Budget	Final Budget	Actual	Over (under) Final Budget
Revenues:				
Local sources	\$ 1,035,006	\$ 1,024,285	\$ 1,005,557	\$ (18,728)
State sources	13,487,581	13,621,502	13,629,107	7,605
Federal sources	214,827	249,142	294,326	45,184
Interdistrict	<u>608,000</u>	<u>630,408</u>	<u>675,904</u>	<u>45,496</u>
Total revenue	15,345,414	15,525,337	15,604,894	79,557
Expenditures:				
Instruction:				
Basic programs	8,084,671	8,323,540	8,265,433	(58,107)
Added needs	1,341,463	1,488,600	1,420,868	(67,732)
Support services:				
Pupil	470,058	463,166	461,737	(1,429)
Instructional staff	956,662	934,048	933,477	(571)
General administration	274,240	298,738	273,249	(25,489)
School administration	1,212,859	1,251,147	1,194,699	(56,448)
Business services	213,480	245,856	230,415	(15,441)
Operations and maintenance	1,993,234	2,068,508	1,906,442	(162,066)
Security services	100,805	105,625	139,217	33,592
Transportation	828,798	906,077	890,059	(16,018)
Technology services	216,181	226,265	234,550	8,285
Other supporting services	25,000	25,000	17,302	(7,698)
Community services	25,000	71,500	78,988	7,488
Debt service	10,000	10,000	10,000	-
Interdistrict	<u>21,454</u>	<u>11,178</u>	<u>5,178</u>	<u>(6,000)</u>
Total expenditures	<u>15,773,905</u>	<u>16,429,248</u>	<u>16,061,614</u>	<u>(367,634)</u>
Excess (deficiency) of revenues over expenditures	(428,491)	(903,911)	(456,720)	447,191
Other financing sources (uses):				
Operating transfers out	<u>(450,000)</u>	<u>(496,464)</u>	<u>(486,660)</u>	<u>(9,804)</u>
Total other financing sources (uses)	<u>(450,000)</u>	<u>(496,464)</u>	<u>(486,660)</u>	<u>(9,804)</u>
Net change in fund balance	(878,491)	(1,400,375)	(943,380)	456,995
Fund balance, July 1	<u>3,306,097</u>	<u>3,306,097</u>	<u>3,306,097</u>	-
Fund balance, June 30	<u>\$ 2,427,606</u>	<u>\$ 1,905,722</u>	<u>\$ 2,362,717</u>	<u>\$ 456,995</u>

## OTHER SUPPLEMENTAL INFORMATION

PENNFIELD SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

STATEMENT OF REVENUES

YEAR ENDED JUNE 30, 2008

REVENUES

Revenues from local sources	
Current property taxes	\$ 926,622
Interest on investments	50,082
Tuition and fees	10,512
Miscellaneous revenues	<u>18,341</u>
Total revenues from local sources	1,005,557
Revenues from state sources	
Foundation	12,874,413
At Risk	286,072
Early childhood education	59,444
Special education	375,000
Durant Settlement	8,748
Middle School math and science	23,917
Other grants	<u>1,513</u>
Total revenues from state sources	13,629,107
Revenues from federal sources	
Title I	182,577
Title IIA Improving Teacher Quality	33,993
Technology Literacy	1,716
Title V LEA Allocation	403
Drug-Free Schools	5,376
Secure Our Schools	59,188
Other grants	2,340
Learn and Serve	<u>8,733</u>
Total revenues from federal sources	294,326
Revenues from other districts	
Other programs	82,256
Special education - local reimb.	<u>593,648</u>
Total revenues from other districts	<u>675,904</u>
Total revenues	<u>\$ 15,604,894</u>

PENNFIELD SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
STATEMENT OF OPERATING EXPENDITURES  
YEAR ENDED JUNE 30, 2008

INSTRUCTION

Basic Programs

Pre-school

Salaries	\$ 46,671
Employee benefits	11,438
Contracted services	256
Supplies and materials	<u>1,080</u>

Total pre-school instructional expenditures	59,445
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Elementary

Salaries	2,391,732
Employee benefits	981,904
Contracted services	81,327
Supplies and materials	82,226
Capital outlay	<u>20,904</u>

Total elementary instruction expenditures	3,558,093
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Middle School

Salaries	1,290,462
Employee benefits	558,979
Contracted services	44,706
Supplies and materials	66,752
Capital outlay	<u>38,764</u>

Total middle school instruction expenditures	1,999,663
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High School

Salaries	1,710,923
Employee benefits	761,476
Contracted services	59,603
Supplies and materials	116,230
Capital outlay	<u>-</u>

Total high school instruction expenditures	<u>2,648,232</u>
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Total basic programs	8,265,433
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PENNFIELD SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND

STATEMENT OF OPERATING EXPENDITURES - Continued  
YEAR ENDED JUNE 30, 2008

INSTRUCTION - Continued

Added Needs

Special education

Salaries	624,944
Employee benefits	247,632
Purchased services	74,488
Supplies and materials	<u>5,152</u>

Total special education

instruction expenditures	952,216
--------------------------	---------

Compensatory education

Salaries	131,836
Employee benefits	46,838
Purchased services	2,937
Supplies and materials	<u>970</u>

Total compensatory education

instruction expenditures	182,581
--------------------------	---------

At Risk education

Salaries	193,653
Employee benefits	74,166
Purchased services	17,465
Supplies and materials	<u>787</u>

Total at risk education

instruction expenditures	<u>286,071</u>
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Total added needs

<u>1,420,868</u>
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Total instruction expenditures

9,686,301
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PENNFIELD SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

STATEMENT OF OPERATING EXPENDITURES - Continued

YEAR ENDED JUNE 30, 2008

SUPPORTING SERVICES

Pupil Services

Guidance services

Salaries	215,567
Employee benefits	93,009
Purchased services	289
Supplies and materials	<u>3,143</u>

Total guidance services 312,008

Health services

Purchased services	3,094
Supplies	<u>-</u>

Total health services 3,094

Student supervision services

Salaries	116,810
Employee benefits	<u>29,825</u>

Total student supervision services 146,635

Total pupil services 461,737

Instructional Staff Services

Improvement of instruction

Salaries	87,471
Employee benefits	28,380
Purchased services	6,865
Supplies	132
Capital outlay	309
Other	<u>89</u>

Total improvement of instruction 123,246

Library services

Salaries	165,188
Employee benefits	64,343
Supplies and materials	<u>27,056</u>

Total library expenditures 256,587

PENNFIELD SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND

STATEMENT OF OPERATING EXPENDITURES - Continued  
YEAR ENDED JUNE 30, 2008

SUPPORTING SERVICES - Continued

Instructional Staff Services - continued

Technology services	
Salaries	155,709
Employee benefits	61,071
Contracted services	17,499
Supplies and materials	13,425
Capital outlay	177,262
Other	<u>465</u>

        Total technology services 425,431

Supervision and direction	
Salaries	87,786
Employee benefits	37,316
Purchased services	1,998
Supplies	974
Other	<u>139</u>

        Total supervision 128,213

            Total instructional staff services 933,477

General Administrative Services

Board of education	
Salaries	1,850
Contracted services	69,642
Supplies	3,852
Capital outlay	11,077
Other	<u>5,497</u>

        Total board of education expenditures 91,918

Executive administration	
Salaries	88,405
Employee benefits	86,651
Contracted services	3,189
Supplies	139
Capital outlay	1,844
Other	<u>1,103</u>

        Total executive  
        administration expenditures 181,331

            Total general administrative services 273,249

PENNFIELD SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

STATEMENT OF OPERATING EXPENDITURES - Continued

YEAR ENDED JUNE 30, 2008

SUPPORTING SERVICES - Continued

School Administrative Services

Office of the Principal

Salaries	775,225
Employee benefits	389,990
Contracted services	10,892
Supplies and material	8,941
Capital outlay	-
Other	<u>4,721</u>

Total office of the principal 1,189,769

Other School Administration

Supplies	<u>4,930</u>
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Total school administrative expenditures 1,194,699

Business Services

Fiscal charges

Salaries	124,268
Employee benefits	52,585
Contracted services	9,644
Supplies and materials	3,247
Capital outlay	4,623
Other	<u>7,664</u>

Total fiscal charges expenditures 202,031

Internal Support Services

Salaries	6,164
Employee benefits	1,507
Contracted services	<u>20,713</u>

Total internal support services expenditures 28,384

Total business services expenditures 230,415

PENNFIELD SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
STATEMENT OF OPERATING EXPENDITURES - Continued  
YEAR ENDED JUNE 30, 2008

SUPPORTING SERVICES - Continued

Operation and Maintenance

Operation and maintenance of plant

Salaries	517,133
Employee benefits	296,091
Contracted services	372,155
Supplies and materials	524,858
Capital outlay	<u>196,205</u>

Total operation and maintenance of plant expenditures	1,906,442
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Security Services

Purchased services	76,492
Supplies and materials	46
Capital outlay	<u>62,679</u>

Total security services expenditures	139,217
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Pupil Transportation

Pupil transportation services

Salaries	452,504
Employee benefits	161,727
Contracted services	46,908
Supplies and materials	225,444
Capital outlay	-
Other	<u>3,476</u>

Total pupil transportation services	890,059
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Technology Supporting Services

Salaries	130,192
Employee benefits	48,938
Contracted services	<u>55,420</u>

Total technology supporting services expenditures	234,550
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Other Supporting Services

Contracted services	<u>17,302</u>
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Total supporting services expenditures	6,281,147
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PENNFIELD SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
STATEMENT OF OPERATING EXPENDITURES - Continued  
YEAR ENDED JUNE 30, 2008

SUPPORTING SERVICES - Continued

COMMUNITY SERVICES

Community Recreation Services

Salaries	64,425
Employee benefits	14,123
Contracted services	101
Supplies and materials	339
Other	<u>-</u>

Total community recreation services	78,988
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DEBT SERVICE

Principal repayment	10,000
Interest and fiscal charges	<u>-</u>

Total debt service	10,000
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OTHER DISTRICTS

Purchased services	<u>5,178</u>
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Total operating expenditures	<u><u>\$ 16,061,614</u></u>
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PENNFIELD SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2008

Special Revenue Funds

	<u>Food Services</u>	<u>Athletics</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 99,303	\$ -	\$ 99,303
Accounts receivable	-	-	-
Due from other governmental units	-	-	-
Due from other funds	-	-	-
Inventory	7,923	-	7,923
Prepaid expenditures	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 107,226</u>	<u>\$ -</u>	<u>\$ 107,226</u>

LIABILITIES AND FUND BALANCES

Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	-	-
Accrued benefits	-	-	-
Due to other funds	<u>11,902</u>	<u>-</u>	<u>11,902</u>
Total liabilities	11,902	-	11,902
Fund balances:			
Reserved for prepaid expenditures	-	-	-
Reserved for inventory	7,923	-	7,923
Unreserved:			
Undesignated	<u>87,401</u>	<u>-</u>	<u>87,401</u>
Total fund balances	<u>95,324</u>	<u>-</u>	<u>95,324</u>
Total liabilities and fund balances	<u>\$ 107,226</u>	<u>\$ -</u>	<u>\$ 107,226</u>

PENNFIELD SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUND  
 YEAR ENDED JUNE 30, 2008

	<u>Special Revenue Funds</u>		
	<u>Food Services</u>	<u>Athletics</u>	<u>Total</u>
Revenues:			
Local sources	\$ 258,891	\$ 55,198	\$ 314,089
State sources	29,274	-	29,274
Federal sources	<u>273,559</u>	<u>-</u>	<u>273,559</u>
Total revenues	561,724	55,198	616,922
Expenditures:			
Food services	566,334	-	566,334
Athletics	<u>-</u>	<u>541,858</u>	<u>541,858</u>
Total expenditures	<u>566,334</u>	<u>541,858</u>	<u>1,108,192</u>
Excess (deficiency) of revenues over expenditures	(4,610)	(486,660)	(491,270)
Other Financing Sources (Uses):			
Operating transfers in	<u>-</u>	<u>486,660</u>	<u>486,660</u>
Net change in fund balances	(4,610)	-	(4,610)
Fund balances, July 1	<u>99,934</u>	<u>-</u>	<u>99,934</u>
Fund balances, June 30	<u>\$ 95,324</u>	<u>\$ -</u>	<u>\$ 95,324</u>

PENNFIELD SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
 FOOD SERVICE FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Local sources	\$ 246,050	\$ 258,891	\$ 12,841
State sources	28,344	29,274	930
Federal sources	<u>268,645</u>	<u>273,559</u>	<u>4,914</u>
Total revenues	543,039	561,724	18,685
Expenditures:			
Salaries	192,947	191,454	(1,493)
Employee benefits	47,750	47,137	(613)
Purchased services	5,000	4,911	(89)
Supplies, material and other	307,630	307,685	55
Capital outlay	<u>14,150</u>	<u>15,147</u>	<u>997</u>
Total expenditures	<u>567,477</u>	<u>566,334</u>	<u>(1,143)</u>
Net change in fund balances	(24,438)	(4,610)	19,828
Fund balance - July 1	<u>99,934</u>	<u>99,934</u>	<u>-</u>
Fund balance - June 30	<u>\$ 75,496</u>	<u>\$ 95,324</u>	<u>\$ 19,828</u>



PENNFIELD SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
 ATHLETIC FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Local sources	\$ 54,508	\$ 55,198	\$ 690
Expenditures:			
Salaries	334,342	324,880	(9,462)
Employee benefits	101,622	102,341	719
Purchased services	14,000	18,182	4,182
Supplies, material and other	101,008	96,455	(4,553)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>550,972</u>	<u>541,858</u>	<u>(9,114)</u>
Excess (deficiency) of revenues over expenditures	(496,464)	(486,660)	9,804
Other financing sources:			
Operating transfers in	<u>496,464</u>	<u>486,660</u>	<u>(9,804)</u>
Net change in fund balances	-	-	-
Fund balance - July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

PENNFIELD SCHOOLS  
 OTHER SUPPLEMENTAL INFORMATION  
 STUDENT ACTIVITIES AGENCY FUND  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 YEAR ENDED JUNE 30, 2008

	Balances <u>June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	Balances <u>June 30, 2008</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ <u>232,545</u>	\$ <u>417,700</u>	\$ <u>450,282</u>	\$ <u>199,963</u>
<u>LIABILITIES</u>				
Due to student groups	\$ <u>232,545</u>	\$ <u>417,700</u>	\$ <u>450,282</u>	\$ <u>199,963</u>

PENNFIELD SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
STATEMENT OF BONDED INDEBTEDNESS  
JUNE 30, 2008

2000 SCHOOL BUILDING AND SITE BONDS  
(NON-REFUNDED PORTION)

\$ 9,105,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	5.125	\$ 41,000	\$ 400,000	\$ 441,000
2010	5.250	<u>20,500</u>	<u>400,000</u>	<u>420,500</u>
Total		<u>\$ 61,500</u>	<u>\$ 800,000</u>	<u>\$ 861,500</u>

Interest on the bonds of the above issue is payable semi-annually on November 1, and May 1. Principal is payable annually on May 1.

PENNFIELD SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
STATEMENT OF BONDED INDEBTEDNESS  
JUNE 30, 2008

1998 SCHOOL IMPROVEMENT BONDS \$ 147,808

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	4.76	\$ 2,154	\$ 8,225	\$ 10,379
2010	4.76	7,174	23,963	31,137
2011	4.76	1,352	9,027	10,379
2012	4.76	922	9,456	10,378
2013	4.76	<u>472</u>	<u>9,907</u>	<u>10,379</u>
Total		<u>\$ 12,074</u>	<u>\$ 60,578</u>	<u>\$ 72,652</u>

Interest and principal on the bonds of the above issue is payable annually on May 15. As part of the Durant Settlement the annual principal and interest payments are to be made directly by the State of Michigan.

PENNFIELD SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
STATEMENT OF BONDED INDEBTEDNESS  
JUNE 30, 2008

2004 SCHOOL BUILDING AND SITE BONDS \$ 27,915,000  
(NON-REFUNDED PORTION)

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	3.250	\$ 311,250	\$ 475,000	\$ 786,250
2010	3.250	295,813	525,000	820,813
2011	3.500	278,750	575,000	853,750
2012	3.500	258,625	625,000	883,625
2013	4.000	236,750	675,000	911,750
2014	4.000	209,750	700,000	909,750
2015	4.000	181,750	725,000	906,750
2016	4.000	152,750	775,000	927,750
2017	4.125	121,750	800,000	921,750
2018	4.500	88,750	850,000	938,750
2019	4.250	50,500	900,000	950,500
2020	4.375	<u>12,250</u>	<u>280,000</u>	<u>292,250</u>
Total		<u>\$ 2,198,688</u>	<u>\$ 7,905,000</u>	<u>\$10,103,688</u>

Interest on the bonds of the above issue is payable semi-annually on November 1 and May 1. Principal is payable annually on May 1.

PENNFIELD SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
STATEMENT OF BONDED INDEBTEDNESS  
JUNE 30, 2008

2005 REFUNDING BONDS

\$ 6,340,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	3.500	\$ 261,100	\$ 40,000	\$ 301,100
2010	3.500	259,700	40,000	299,700
2011	4.000	258,300	410,000	668,300
2012	4.000	241,900	410,000	651,900
2013	4.000	225,500	410,000	635,500
2014	4.000	209,100	410,000	619,100
2015	4.250	192,700	410,000	602,700
2016	4.250	175,275	410,000	585,275
2017	4.250	157,850	410,000	567,850
2018	4.250	140,425	410,000	550,425
2019	4.250	123,000	410,000	533,000
2020	4.100	105,575	410,000	515,575
2021	4.150	88,765	410,000	498,765
2022	4.300	71,750	410,000	481,750
2023	4.350	54,120	410,000	464,120
2024	4.400	36,285	410,000	446,285
2025	4.450	<u>18,245</u>	<u>410,000</u>	<u>428,245</u>
Total		<u>\$ 2,619,590</u>	<u>\$ 6,230,000</u>	<u>\$ 8,849,590</u>

Interest on the bonds of the above issue is payable semi-annually on November 1 and May 1. Principal is payable annually on May 1.

PENNFIELD SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
STATEMENT OF BONDED INDEBTEDNESS  
JUNE 30, 2008

2006 REFUNDING BONDS

\$ 10,000,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	4.10	\$ 409,890	\$ -	\$ 409,890
2010	4.10	409,890	-	409,890
2011	4.10	409,890	-	409,890
2012	4.10	409,890	-	409,890
2013	4.10	409,890	-	409,890
2014	4.10	409,890	-	409,890
2015	4.10	409,890	-	409,890
2016	4.10	409,890	-	409,890
2017	4.10	409,890	-	409,890
2018	4.10	409,890	-	409,890
2019	4.00	409,890	35,000	444,890
2020	4.00	408,490	40,000	448,490
2021	4.00	406,890	55,000	461,890
2022	4.00	404,690	65,000	469,690
2023	4.00	402,090	60,000	462,090
2024	4.00	399,690	60,000	459,690
2025	4.00	397,290	60,000	457,290
2026	4.00	394,890	65,000	459,890
2027	4.00	392,290	65,000	457,290
2028	4.00	389,690	975,000	1,364,690
2029	4.00	350,690	1,440,000	1,790,690
2030	4.00	293,090	1,430,000	1,723,090
2031	4.15	235,890	1,415,000	1,650,890
2032	4.15	177,168	1,405,000	1,582,168
2033	4.20	118,860	1,420,000	1,538,860
2034	4.20	<u>59,220</u>	<u>1,410,000</u>	<u>1,469,220</u>
Total		<u>\$ 9,339,718</u>	<u>\$ 10,000,000</u>	<u>\$ 19,339,718</u>

Interest on the bonds of the above issue is payable semi-annually on November 1 and May 1. Principal is payable annually on May 1.

PENNFIELD SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
STATEMENT OF BONDED INDEBTEDNESS  
JUNE 30, 2008

2007 REFUNDING BONDS \$ 9,995,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	4.000	\$ 400,331	\$ 30,000	\$ 430,331
2010	4.000	399,131	30,000	429,131
2011	4.000	397,931	35,000	432,931
2012	4.000	396,531	35,000	431,531
2013	4.000	395,131	35,000	430,131
2014	4.000	393,731	40,000	433,731
2015	4.000	392,131	40,000	432,131
2016	4.000	390,531	40,000	430,531
2017	4.000	388,931	40,000	428,931
2018	4.000	387,331	45,000	432,331
2019	4.000	385,531	45,000	430,531
2020	4.000	383,731	720,000	1,103,731
2021	4.000	354,931	1,045,000	1,399,931
2022	4.000	313,131	1,095,000	1,408,131
2023	4.000	269,331	1,165,000	1,434,331
2024	4.000	222,732	1,205,000	1,427,732
2025	4.000	174,532	1,270,000	1,444,532
2026	4.000	123,732	1,310,000	1,433,732
2027	4.000	71,332	1,345,000	1,416,332
2028	4.125	<u>17,532</u>	<u>425,000</u>	<u>442,532</u>
Total		<u>\$ 6,258,225</u>	<u>\$ 9,995,000</u>	<u>\$ 16,253,225</u>

Interest on the bonds of the above issue is payable semi-annually on November 1 and May 1. Principal is payable annually on May 1.



PENNFIELD SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED June 30, 2008

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education:			
Title I - Educationally Deprived	84.010	0815300708	\$ 182,577
Title V LEA allocation	84.298	0802500708	403
Technology Literacy	84.318	0842900708	1,716
Title IIA Teacher Quality	84.367	0805200708	70,207
Total passed through MDE			
Passed Through Intermediate School District:			
Drug Free Schools	84.186		5,376
Improvement of Education	84.215		
Total passed through ISD			

TOTAL DEPARTMENT OF EDUCATION

Notes:

- 1.\*Designates Major Program
2. Dollar threshold used to distinguish between Type A and Type B programs - \$300,000.
3. Expenditures in this schedule are in agreement with amounts reported in the financial statements.
4. The amounts reported on the R7120 reconcile with this schedule.
5. This schedule has been prepared under the modified accrual basis of accounting.

(continued on next page)

Accrued/ (Deferred) Revenue <u>June 30, 2007</u>	(Memo only) Prior Year <u>Expenditures</u>	<u>Expenditures</u>	<u>Receipts</u>	Accrued/ (Deferred) Revenue <u>June 30, 2008</u>
\$ -		\$ 182,577	\$ 167,822	\$ 14,755
-		403	403	-
-		1,716	-	1,716
<u>-</u>		<u>33,993</u>	<u>20,668</u>	<u>13,325</u>
-		218,689	188,893	29,796
(70)	4,122	5,376	4,856	450
<u>-</u>		<u>2,340</u>	<u>2,340</u>	<u>-</u>
<u>(70)</u>		<u>7,716</u>	<u>7,196</u>	<u>450</u>
(70)		226,405	196,089	30,246

PENNFIELD SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued  
YEAR ENDED June 30, 2008

<u>Federal Grantor/Pass-Through Grantor/ Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
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U.S. DEPARTMENT OF AGRICULTURE

Passed Through State Department  
of Education:

Nutrition Cluster

National School Lunch Program	10.555	081950	33,428
		081960	141,093
		071950	37,416
		071960	147,710

National School Lunch Breakfast	10.553	081970	40,387
		071970	49,801

Total Nutrition Cluster

Food Distribution

Entitlement Commodities	10.550		32,345
Bonus Commodities			23

TOTAL DEPARTMENT OF AGRICULTURE

U.S DEPARTMENT OF JUSTICE

Passed Through Calhoun County  
sheriff's Department

Secure Our Schools	97.004		62,679
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CORPORATION FOR NATIONAL AND  
COMMUNITY SERVICE

Passed Through Michigan  
Community Service Commission

Learn and Serve America	94.004		
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TOTAL FEDERAL FINANCIAL ASSISTANCE

Accrued/ (Deferred) Revenue June 30, 2007	(Memo only) Prior Year Expenditures	Expenditures	Receipts	Accrued/ (Deferred) Revenue June 30, 2008
-		33,428	33,428	-
-		141,093	141,093	-
-	33,305	4,111	4,111	-
-	129,704	18,006	18,006	-
-		* 196,638	196,638	-
-		40,387	40,387	-
-	45,635	4,166	4,166	-
-		* 44,553	44,553	-
		241,191	241,191	-
-		32,345	32,345	-
-		23	23	-
-		32,368	32,368	-
-		273,559	273,559	-
3,491	3,491	59,188	62,679	-
5,400	5,400	8,733	6,000	8,133
<u>\$ 8,821</u>		<u>\$ 567,885</u>	<u>\$ 538,327</u>	<u>\$ 38,379</u>



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT FINANCIAL  
STATEMENTS PERFORMED IN OF ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education  
Pennfield Schools, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pennfield Schools as of and for the year ended June 30, 2008, which collectively comprise Pennfield Schools's basic financial statements and have issued our report thereon dated October 31, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting - In planning and performing our audit, we considered Pennfield Schools's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Pennfield Schools's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pennfield Schools's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Donald L. Paulsen, CPA  
Patrick J. Monahan, CPA  
Bruce S. A. Gosling, CPA  
Michael R. Wilson, CPA  
Rick L. Strawser, CPA  
Jerrold T. Norman (1941-1982)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters - As part of obtaining reasonable assurance about whether Pennfield Schools's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Norman J. Paulson, P.C.*

October 31, 2008





REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education  
Pennfield Schools, Michigan

Norman & Paulsen, P.C.

Certified Public Accountants

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normanpaulsen@charter.net

Compliance - We have audited the compliance of Pennfield Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Pennfield Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Pennfield Schools' management. Our responsibility is to express an opinion on Pennfield Schools' compliance based on our audit.

Other Location:

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We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local governments, and Non-Profit Organizations*. Those standards and OMB circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pennfield Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Pennfield Schools' compliance with those requirements.

In our opinion, Pennfield Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Bruce S. A. Gosling, CPA

Michael B. Wilson, CPA

Rick L. Strawser, CPA

Jerrel T. Norman (1941-1982)

Internal Control over Compliance - The management of Pennfield Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Pennfield Schools internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of Pennfield Schools' internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Norman S. Platon, P.C.*

October 31, 2008



PENNFIELD SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED June 30, 2008

1. Summary of auditor's results:

- (I) An unqualified opinion was issued on the financial statements.
- (ii) No material weakness or significant deficiency in internal control were disclosed by the audit of the financial statements.
- (iii) The audit disclosed no noncompliance.
- (iv) No material weakness or significant deficiency in internal control over major programs were disclosed by the audit.
- (v) An unqualified opinion was issued on Compliance for major programs.
- (vi) No audit findings were disclosed.
- (vii) Major programs: U.S. Department of Agriculture  
Child Nutrition Cluster  
10.553 School Breakfast Program  
10.555 National School Lunch Program
- (viii) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
- (ix) Pennfield Schools qualified as a low-risk auditee.

2. Findings relating to the financial statements which are required to be reported in accordance with GAGAS.

NONE

3. Findings and questioned costs for Federal awards.

NONE

4. Prior year findings:

NONE



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## AUDIT-RELATED COMMUNICATIONS

To the Board of Education  
Pennfield Schools

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pennfield Schools (the "School District") for the year ended June 30, 2008, and have issued our report thereon dated October 31, 2008. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated April 23, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

### Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the School District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Bruce S. A. Gosling, CPA

Michael B. Wilson, CPA

Rick L. Strawser, CPA

Jerrel T. Norman (1941-1982)

## Internal Controls

As part of our audit, we considered the internal control of the School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the School District's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

We consider the following deficiencies to be a *material weakness* in internal controls:

*None Noted*

We consider the following deficiencies to be significant deficiencies in internal control:

*None Noted*

## Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 12, 2008.

## Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Pennfield Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Pennfield Schools during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statement in a different period than when the transaction occurred.

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Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

*Accrued employee compensated absences*  
*Depreciation*

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

#### No Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### No Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 31, 2008.

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### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Pennfield Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the information and use of the Board of Education and management of Pennfield Schools and is not intended to be and should not be used by anyone other than these specified parties.

We are pleased to serve as the School District's auditors. If there are any questions about the audited financial statements or the contents of this letter, we would welcome the opportunity to discuss them at your convenience.

Sincerely,

*Norman J. Paulson, P.C.*

October 31, 2008

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